

**Internal Revenue Service
Criminal Investigation**



Memorandum of Interview

In Re: Gabriel Seth Joseph **Location:** Franklin Squire Co.
85 Eastbay Blvd
Provo, UT. 84606-7303

Investigation #: 100021
Date: March 21, 2007
Time: Approximately 11:49 AM - 1:26 PM
Participant(s): Gabriel Seth Jospehl, Subject
David A. Taylor, Special Agent
Tracy A. Shiotani, Special Agent Student Trainee

On the above date and time, Special Agent David Taylor (SA Taylor) and SA Trainee Tracy Shiotani (SAT Shiotani) introduced themselves to Gabriel Seth Joseph (JOSEPH) as a Special Agent and Special Agent Trainee with the Internal Revenue Service Criminal Investigation and displayed their credentials. SA Taylor informed JOSEPH that he and SAT Shiotani wanted to ask him some questions. SA Taylor advised JOSEPH of his constitutional rights by reading Document 5661, *Non-Custody Statement of Rights (Rev.3-2001)* verbatim. When SA TAYLOR asked JOSEPH whether he understood these rights, JOSEPH confirmed that he did. JOSEPH provided the following information voluntarily:

1. Gabriel Seth JOSEPH
SSN, 212-92-5511
DOB, 01/02/1978
Place of birth, Sykesville, MA.
2. JOSEPH said that he moved from Las Vegas, NV. to Utah approximately four years ago. Now in Utah, his current occupation is entrepreneur/business owner. JOSEPH stated that as an entrepreneur his work includes: real estate investing, bridge capital lending by providing money for real estate investing until buyers sell, and creating systems and putting these systems into place for business (streamlining, etc.). JOSEPH stated that bridge capital lending is where he provides money to individuals that are attempting to purchase homes but cannot finance the total purchase through banks. JOSEPH stated that he loans out personal money "to bridge the gap".
3. JOSEPH stated that he had moved to Las Vegas after marrying his wife, Shandi Lee Joseph (DOB 05/08/1978). JOSEPH continued by stating after going on an LDS mission to Brazil in 1999 he returned and married his wife on Dec 2, 1999. She was residing in Las Vegas, NV. but the ceremony occurred in

Utah. After the reception, they packed the rest of his belongings and moved to Las Vegas, NV.

4. While in Las Vegas JOSEPH's occupation was selling cable and high speed internet door to door as an independent contractor. JOSEPH stated that he became tired of blistering his knuckles by knocking on doors in the Vegas heat and the cable companies began to take the profits from the independent contractors, so he started selling mortgages. During a weekend trip to Utah in August or September of 2003 or 2004 JOSEPH ran into one of his current partners (mission companion and brother-in-law), Steve Freestone, who introduced him to Sonny Jensen (JENSEN). This is how JOSEPH learned of Rick KROEBER's (KROEBER) course on how to learn to buy and sell real estate. He enrolled in the 90-day course, Creative Real Estate, for \$2,000. He later stated that he had extended the course out to 180 days (about 5 or 6 months) to complete. The course was done through internet and phone calls while he was in Las Vegas, NV.
5. JOSEPH stated that the Creative Real Estate class taught him techniques to think differently. It recommended several books such as Rich Man Poor Man. JOSEPH stated that he learned several topics such as how to find leads in the newspaper and MLS. JOSEPH said he learned the need to evaluate transactions to make good informed decisions, what questions to ask for due diligence, and how to conduct a Comparable Market Analysis. JOSEPH learned how to enter into negotiations; complete letters of intent regarding different offers (nonbinding, cash, seller finance, lease with offer to purchase, etc.); how to complete real estate purchase contracts; enter into a sub-contract and how to sell a house/exit strategies (sit on it, rent, lease, etc.) JOSEPH stated that he learned how to buy below market value and sell at market value.
6. JOSEPH stated that he is part owner in several companies. These include: Franklin Squires Companies LLC – 5% minority share. JOSEPH stated that he receives a \$2,000 monthly salary from Franklin Squires which is prepared through a staffing company that does payroll for the multiple Franklin Squires companies. JOSEPH stated that he did not know the name of the staffing company. JOSEPH stated that all of the Franklin Squires Companies' employees are paid through this staffing company. Annuit Coeptis LLC (name is from the back of the dollar bill – means 'God prospered us') – is managing partner. JOSEPH's wife is also listed as a partner of Annuit Coeptis, but she is actually a domestic housewife.
7. According to JOSEPH, the first property that he sold was his own home located at 8104 Sienna Hollow Court, Las Vegas, NV 89149. This property sold with a profit of \$150,000. Following this, he moved to Utah and lived in his sister's basement for several years for a couple hundred dollars per month. JOSEPH stated that he used this \$150,000 nest egg to start real estate investing.
8. They continued to sell property and a month later Franklin Squires Co. was formed. When the company was first started each person did a different part of

the process, they pooled their different strengths. JOSEPH found the property, completed the research and paper work, KROEBER did the negotiations, and FREESTONE had many leads and contacts.

9. When asked how many transactions are completed monthly. JOSEPH replied that he sells about 3-5 houses per year himself and 2-4 packages per month from the system. He later changed his statement to one house transaction per year for himself. He stated that he has sold his home in Las Vegas, a home in Eagle Mountain, and a home he lived in for about a year. JOSEPH stated that bought his current residence and has lived there for about one year.
10. After hearing and witnessing their success many people were interested in what they were doing so they began to offer the course to others and the business grew rapidly.
11. JOSEPH stated that they, the students, use their skills learned in the courses to locate homes to purchase. JOSEPH stated that if a student has a signed real estate purchase contract and the student does not have enough cash or credit to finance the purchase, the student will bring in the package and they will buy the contract from the student. JOSEPH stated that the package is the whole process as taught in the creative real estate courses. The package contains the due diligence, 1-2 appraisals, a title report, and a home inspection. The package is given to the underwriting department that reviews the package and either accepts or rejects. If accepted, Franklin Squires will pay a fee to the student for the package. The fee is determined by the amount of profit or equity. The equity/ profit is determined by the purchase price compared to assumed appraised value. If the equity is high, the fee is high. The real estate purchase contract is assigned to the company. The company then purchases the house using the same purchase contract that holds the seller responsible. JOSEPH stated that the company must stay within the legal boundaries of the contract. If the package is rejected the student has the option of cancelling their contract with the seller or completing the purchase.
12. JOSEPH then stated that Franklin Squires does not purchase the package but Hill Ericson LLC makes the purchase. JOSEPH stated that Hill Erickson is a company that acquires real estate according to the terms of the contract, and acts as the underwriting department. Hill Erickson receives the money through wholesale lines of credit using different lenders. The lines of credit are usually secured through trust deeds. Lindsey Dayton is one of the main people at Hill Erickson. JOSEPH stated that he does not know who owns Hill Erickson, but does not believe that he is part owner. Lindsey Dayton is a female and the Vice President of the company. JOSEPH stated that the Hill Erickson Company was formed within the last three years to provide underwriting. He believes that KROEBER and Lindsey are owners of the company. Lindsey's main function is to review the house packages. Hill Erickson does all of the underwriting. Once Hill Erickson purchases the houses, they then sell or lease them. JOSEPH stated that they have a pool of individuals looking for real estate and those individuals purchase the houses. JOSEPH stated that they also sell the houses

through word of mouth (friends telling friends). JOSEPH stated that the pool of individuals include their students, and individuals that have attended the Franklin Squires seminars.

13. JOSEPH stated that it had been 1 to 1 ½ years since Franklin Squires has done a seminar. They conducted seminars in Dallas, Houston, Denver, Chicago, Phoenix and Las Vegas. They marketed the seminars as a Franklin Squire Company. JOSEPH stated that the seminars were about how to buy and sell real estate. KROEBER was the main presenter at the seminars. John Lowery was responsible for the marketing for the seminars and multiple other companies. He left about 1 ½ years ago due to a difference of opinion. JOSEPH stated that he did not associate much with Lowery. JOSEPH was working a lot out of his home during this time.
14. JOSEPH stated that Hill Erickson does not market the homes. JOSEPH stated that the homes are marketed by word of mouth based on the students' satisfaction with the programs. The homes usually sell at market value. The goal of the company is to have the property sold within 30-90 days. JOSEPH stated that the Franklin Squires students often buy the houses from Hill Erickson. JOSEPH was asked why a student of Franklin Squires would purchase a home for fair market value when they were taught to purchase homes below fair market. JOSEPH responded by stating that they assume the buyer's risk. JOSEPH stated that they assume the risk by giving the buyer the opportunity to lease or sell the house to New Castle Holdings. JOSEPH stated that New Castle Holdings would lease the house from the buyers and this way New Castle Holdings assumed all the risk. Hill Erickson would purchase the property at wholesale then sell it to a preferred buyer for fair market value. The preferred buyers would finance the purchase with non-owner occupied loans. New Castle Holding would then lease the property, with a purchase option, from the preferred buyer. Then New Castle pays the 'down payment' to the preferred buyer. JOSEPH stated that these preferred buyers were students of Franklin Squires. Cobel Anderson is the owner/acting president of New Castle Holdings. KROEBER is also an owner of New Castle Holdings.
15. One, of multiple examples given was where Hill Erickson purchases a home at wholesale, which is valued at \$500,000. A preferred buyer purchases the home from Hill Erickson for \$500,000. The preferred buyer makes a \$10,000 down payment on purchase and takes out a loan for \$490,000 for the difference. The preferred buyer then leases the house to New Castle Holdings. The lease has a purchase option. The monthly lease payment is more than the preferred buyer's mortgage monthly payment. In JOSEPH's example he said the preferred buyer's mortgage payment was \$3,200 and New Castle Holdings would pay the preferred buyer a \$3,300 lease payment. JOSEPH stated that the preferred buy is making a \$100 per month. As part of the lease, New Castle Holdings pays the preferred buyer \$10,000 down, which is the first and last months lease payments. New Castle Holdings then rents out the property for an amount that is greater than their lease payment, which is due to the preferred buyer. They will continue the lease until the price is low enough for

the preferred buyer to take out a mortgage for the total remaining amount owed.

16. JOSEPH stated that New Castle Holdings could purchase the home from the preferred buyer instead of leasing it. New Castle will sell the property for a greater amount than they owe on the mortgage and they will carry the financing. JOSEPH stated that New Castle Holdings makes their money on the financing the sale. JOSEPH stated that New Castle would market the house through the friends and family members, or traditional ways to market the house such as listing it with a real estate agent or running an advertisement in the newspaper. JOSEPH stated that they could also generate a lot of interest in the house and then sell it at an auction. JOSEPH stated that they would tell the buyer that they would sell the house to them for the bid price but they must finance the purchase through them. JOSEPH stated that they ask the buyer how much they have as a down payment and Hill Erickson would charge the buyer enough to per month to cover Hill Erickson's payment plus a few hundred dollars.
17. JOSEPH requested a break to use the restroom but before leaving, he requested that Randy LNU remain in the office until he returned. Randy stated that he did special projects for KROEBER. Randy stated that the current project that he just completed was designing and minting gold and silver coins for Franklin Squires. He showed the agents two coins that he retrieved from his pocket. One coin was gold and carried the Franklin name and one was silver that carried the Squire name. Both coins had a male headshot on one side and read Annuit Coeptis on the back. JOSEPH then returned, Randy left the office, and the meeting continued.
18. JOSEPH sated that he has not taken any distributions of gains or losses from Frankly Squires. He reiterated that he only receives \$2,000 per month from Franklin Squires but has never received a K-1. JOSEPH stated that KOERBER is the person in charge of Franklin Squire's profit/loss information.
19. Franklin Squires has two schools American Founders University and American Founders Academy (designed for people under the age of 18). The schools offer multiple courses including Preferred Buyers Training and the 21-Day Sale. The cost each course is \$2,000 with a money back guarantee. JOSEPH stated that the Preferred Buyers Training teaches how to use income and how to utilize credit to be profitable. It also covers all of the risks of buying. It shows how to use credit to buy multiple homes using multiple lenders and multiple loans. JOSEPH stated that they do not teach how to get more than one loan at one time. JOSEPH stated that the 21-Day Sale course teaches the exit strategy. JOSEPH stated the company has not offered the 21-Day Sale course in a long time because they have had difficulty arranging the curriculum for the 21 Day Sale Course. Steve Freestone is the Vice President in charge of coordination. JOSEPH stated that he has not had much to do with the university. The schools have mainly been KOERBER's baby.
20. JOSEPH stated that he currently owns two condominiums in Las Vegas, NV.

The interview was interrupted by a female co-worker saying that Rick was on his way and requested JOSEPH step out of the room with her. After leaving the room, he returned several minutes later stating that he had spoke to his legal counsel and was told to wait until legal counsel could be present to continue. TAYLOR and SHIOTANI thanked JOSEPH for his time. TAYLOR provided JOSEPH with summonses and informed him to contact SA Ronald Marker if there were any questions. TAYLOR provided JOSEPH with a business card and TAYLOR and SHIOTANI left the premises at approximately 1:26PM.

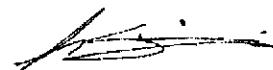
David A. Taylor

David A. Taylor,
Special Agent



Tracy A. Shiotani
Special Agent Student Trainee

I prepared this memorandum on April 2, 2007, after refreshing my memory from notes made during and immediately after the interview with GABRIEL S. JOSEPH.



Tracy A. Shiotani
Special Agent Studen Trainee